

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHMS #0245 0701148  
ZNY CCCCC ZZH  
R 111148Z MAR 07  
FM AMEMBASSY MUSCAT  
TO RUEHC/SECSTATE WASHDC 7933  
INFO RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L MUSCAT 000245

SIPDIS

SIPDIS

STATE FOR NEA/ARP, EEB/IFD/OMA  
TREASURY FOR VALVO  
COMMERCE FOR COBERG

E.O. 12958: DECL: 03/11/2017

TAGS: [EFIN](#) [ECON](#) [MU](#)

SUBJECT: CENTRAL BANK CHIEF REAFFIRMS OPPOSITION TO ISLAMIC  
BANKING

REF: 06 MUSCAT 1690

Classified By: Deputy Chief of Mission Alfred F. Fonteneau, reasons 1.4  
b and d

¶1. (U) Central Bank of Oman (CBO) Executive President Hamood Sangour al-Zadjali reaffirmed his institution's opposition to permitting Islamic banking operations in Oman during a recent interview with the Middle East Economic Digest. Bucking a regional growth trend in offering such services, Zadjali remarked, "We shall not allow it. We believe that banks should be universal. We won't allow specific banks."

¶2. (SBU) Zadjali's comments echo his previous public statement on Islamic banking, as reported reftel. During the September 2006 Economist Business Roundtable event, Zadjali flatly stated that Islamic banking was not permitted in Oman, and that the CBO had no plans to permit it in the near-term. He alluded to such banks as using the "Islamic" label as a marketing tool and said, "At the end of the day, Islamic banks face the same expenses for borrowing as other financial services."

¶3. (C) Comment: The Executive President's position on Islamic banking is reflective of the close eye the regulator intends to keep on the Sultanate's banking industry. Aside from the CBO's interest in keeping the sector free from religious connotations, the Bank is focused on ensuring that all commercial banks in operation remain healthy and in this regard, remains concerned that Oman may become "overbanked" by permitting the establishment of Islamic banking. End Comment.  
GRAPPO